

COLORADO DIVISION OF INSURANCE

REPORT OF EXAMINATION  
OF THE

COLORADO UNINSURABLE HEALTH INSURANCE PLAN  
1600 Broadway, Suite 420  
Denver, Colorado 80202

AS OF

DECEMBER 31, 1996

CONDUCTED BY

DIVISION OF INSURANCE  
STATE OF COLORADO

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Denver, Colorado  
June 30, 1997

Honorable Jack Ehnes  
Commissioner of Insurance  
State of Colorado  
1560 Broadway, Suite 850  
Denver, Colorado 80202

Commissioner:

Pursuant to your instructions and in compliance with Title 10, Article 8, Section 510, Colorado Revised Statutes, an examination has been made of the books, records and financial condition of the:

COLORADO UNINSURABLE HEALTH INSURANCE PLAN  
1600 Broadway, Suite 420  
Denver, Colorado 80202

and the report thereon is respectfully submitted.

Colorado Uninsurable Health Insurance Plan, hereinafter referred to as "CUHIP," was previously examined as of December 31, 1993. That examination covered the period from CUHIP's formation in 1990 through December 31, 1993. That examination, as well as the current examination, was conducted by the Division of Insurance, State of Colorado.

All recommendations contained in the prior examination report have been adequately addressed by CUHIP.

### **SCOPE OF EXAMINATION**

This examination covers the period from January 1, 1994, through December 31, 1996. During the course of examination, assets were verified and valued, and all known liabilities were established as of December 31, 1996. The work performed was in accordance with statutory requirements and followed procedures recommended in the Examiners Financial Condition Handbook published by the National Association of Insurance Commissioners and the Colorado Examiners Handbook. The extent of review on any given account or activity was based upon its relationship and importance to the total operation.

Accounting and other pertinent records were reviewed and tested to the extent deemed appropriate, with a general review of CUHIP's operations, including treatment of insureds and overall statutory compliance. Consideration was also given to the use of audit work performed by CUHIP's independent accounting firm and where appropriate has been utilized herein.

### **HISTORY**

CUHIP was created by the Colorado Legislature in 1990 as a nonprofit unincorporated public entity subject to the requirements of Section 10-8-501, et seq., C.R.S. CUHIP is an instrumentality of the state; except that its debts and liabilities will not constitute debts and liabilities of the state, and neither CUHIP nor its Board will be an agency of the State of Colorado. The purpose of CUHIP, pursuant to statute, is to provide access to health insurance for those Colorado residents that are unable to obtain health insurance, or unable to obtain health insurance except at prohibitively high rates or with significant exclusions.

CUHIP began offering comprehensive, individual major medical insurance in April of 1991. As of December 31, 1996, CUHIP had 1,227 insureds.

### **FUNDING**

Since its formation in 1990, CUHIP has been funded by premiums charged to insureds, a Colorado income tax surcharge, up to \$2.5 million annually from the Business Associations Unclaimed Moneys Funds (BAUMF) and an allocated portion of the Unclaimed Insurance Moneys Fund. Prior to April 1992, income tax surcharge amounts collected by the State of Colorado and premiums collected by the administrator from insureds were transferred to the Colorado State Treasurer and credited to the CUHIP Cash Fund. In April 1992, Senate Bill 92-42 passed the General Assembly which amended Section 10-8-501, et. seq., C.R.S. Pursuant to this amendment, premiums collected for insurance coverage are retained directly by CUHIP rather than transferred to the CUHIP Cash Fund. On July 1, 1993, House Bill 93-1336 became effective which allowed CUHIP to receive amounts from the BAUMF in lieu of the Colorado income tax surcharge. This Bill contained a sunset provision whereby the funds were to terminate on July 1, 1997. However, in early 1997 Senate Bill 97-041 was passed extending the allocations received from the BAUMF indefinitely. In 1995, CUHIP also began receiving funds from the Unclaimed Insurance Moneys Fund in accordance with Section 38-13-113, C.R.S. In future years the Unclaimed Insurance Moneys Fund is expected to provide up to \$1,000,000 per year for CUHIP. The Legislature has not provided for the repeal of this source of funding.

The following chart depicts sources of funds since CUHIP's inception:

Year	Premiums Charged to Insureds	Colorado Income Tax Surcharge	Business Association Unclaimed Moneys Funds	Unclaimed Insurance Moneys Funds	Total Funds Received
1990	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1991	1,002,900	2,483,058	0	0	3,485,958
1992	3,666,182	2,752,710	0	0	6,418,892
1993	5,343,325	2,934,280	2,500,000	0	10,777,605
1994	5,668,927	0	2,500,000	0	8,168,927
1995	4,474,798	0	2,500,000	1,158,166	8,132,964
1996	4,018,423	0	2,500,000	1,003,400	7,521,823
Totals	\$24,174,555	\$ 8,170,048	\$10,000,000	\$ 2,161,566	\$44,506,169

In November and December 1996, two reports were prepared by the Department of Regulatory Agencies addressing CUHIP. These reports are: 1) Insuring Colorado's Uninsurable Citizens: Reviewing the Options and 2) Funding the Colorado Uninsurable Health Insurance Plan. These reports offered a detail analysis of the funding and optional coverage alternatives for CUHIP. Additionally, a report prepared by the CUHIP consulting actuary in December 1996 projected that, with the continuation of the current funding and no future insurance reform, CUHIP will remain solvent until early 2003. (Also refer to "Plan of Operation" for CUHIP's plans to address potential deficiencies in the funds.)

**MANAGEMENT AND CONTROL**

Pursuant to Section 10-8-505(1), C.R.S., CUHIP is to be governed by a seven-person Board of Directors that represents a broad range of constituencies including a member of the General Assembly. In addition, the Commissioner of Insurance is to serve as an ex-officio, non-voting member of the Board.

**Board of Directors**

CUHIP's Plan of Operation provides that the business and affairs of CUHIP are to be vested in a Board of Directors consisting of seven Directors. One member of the Board is to be a member of the General Assembly. The first appointment from the General Assembly will be from the Senate and will be made by the President of the Senate. The next appointee from the General Assembly will be from the House of Representatives and will be appointed by the Speaker of the House of Representatives. Subsequent appointments from the General Assembly will rotate between the houses of the General Assembly in this pattern. All appointees from the General Assembly will serve for terms of two years.

Six members of the Board will be appointed by the Governor with consent of the Senate. These members will serve for terms of four years except for the initial appointments. Of the initial appointments, two persons will serve terms of two years, two will serve terms of three years and two will serve terms of four years. The Governor will appoint a person to fill any vacancy for the remainder of any unexpired term. Board members appointed by the Governor shall be appointed as follows:

- a) Two shall be representatives of persons who are considered to be uninsurable and are not associated with the medical profession, any hospital or any insurer;
- b) One shall be a representative of medical professionals who specialize in the treatment of chronic diseases;
- c) One member shall be a representative of an insurer;
- d) One member shall be a representative of a health maintenance organization;
- e) One member shall be a representative of a non-profit health care service plan.

Any member of the Board serving a four-year term will not serve for more than two consecutive four-year terms. Any member of the Board serving a three-year term shall not serve for more than two consecutive three-year terms. Any member of the Board serving a two-year term will not serve for more than four consecutive two-year terms.

The Commissioner of Insurance or his designee will be an ex-officio, non-voting member of the Board.

Any member of the Board may be removed by his or her appointing authority for misconduct, incompetence or neglect of duty. Failure of a Board member to attend four consecutive Board meetings, not including special meetings, will constitute neglect of duty.

Regular meetings of the Board are to be held bi-monthly, on the third Wednesday of the month. With the approval of all members present at a given meeting, any scheduled meeting may be advanced or postponed to another date. All meetings will be open to the public except when the Board meets in executive session to consider certain issues.

Special meetings of the Board may be called by any three members of the Board and otherwise by the Chairman of the Board. Five days notice will be given to the members of the Board in order to schedule a special meeting. The call for a special meeting will specify the business to be transacted.

Any four members of the Board will constitute a quorum for the purposes of conducting business.

The Board of Directors held 22 regular meetings during the period under examination. One special meeting was held during the examination period. The number of regular meetings was held in accordance with the CUHIP Plan of Operation.

Board members serving as of December 31, 1996, together with their addresses, terms and business affiliations are as follows:

<u>Director</u>	<u>Term</u>	<u>Business Affiliations</u>
Gary Carlson Denver, CO	July 1, 2000	Insurance Company Representative, District Manager; Mutual of Omaha
Cindy Castellano Littleton, CO	July 1, 1999	Consumer Representative, Attorney
Jack Ehnes Denver, CO	Ex-officio	Commissioner of Insurance; Colorado Division of Insurance
Dr. Tom Hazy M.D. Aurora, CO	July 1, 1998	Health Maintenance Organization Representative, Internist
Jean Kaye Longmont, CO	July 1, 1998	Non-Profit Health Care Service Plan Representative, Managed Care Innovators, Inc.
Senator Sally Hopper Golden, CO	January 1, 1997	State Senator, Senate District 13
Tom Long Silverthorne, CO	July 1, 1999	Consumer Representative, Summit County Commissioner

Herbert Rohenberg, M.D. July 1, 2000 Physician Representative; Internist  
Denver, CO

All of the above Board members, with the exception of Senator Sally Hopper are serving at the date of this report. During 1997, Senator Hopper was replaced with Representative Joyce Lawrence.

### Officers

The Plan of Operation provides that the Board elect a chairman and vice-chairman annually from its membership. The annual election will be held at the November meeting of the Board.

Officers elected and serving as of December 31, 1996, are as follows:

<u>Officer</u>	<u>Title</u>
Cindy Castellano	Chairman of the Board
Jean Kaye	Vice Chairman
Dr. Tom Hazy, M.D	Secretary/Treasurer

All of the above officers are serving at the date of this report.

### Committees

The Plan of Operation stipulates that the Board may appoint appropriate legal, actuarial and other committees as necessary to provide technical assistance in the operation of CUHIP. Such committees may assist in policy development, contract design and in any other function within the authority of the Plan. During the period under examination, the Board appointed a Grievance Committee, Legal Advisory Committee and a Benefits Advisory Committee.

According to Section 10-8-508(1)(f), C.R.S., the Grievance Committee is charged with fairly and impartially considering grievances brought by applicants and participants. In practice, the Grievance Committee applies the CUHIP Certificate terms except where there are mitigating circumstances as presented by the grieving member that require, or at least strongly suggest, that the exception requested by the member should be granted. It is also the responsibility of the Grievance Committee to point out potential problems in coverage or administration based upon grievances heard.

The Legal Advisory Committee is to monitor the Board's activities and take preventive action when it sees an emerging legal issue, give answers to "simple" legal questions and shape legal questions so that the use of paid counsel is more effective.

The Benefits Advisory Committee was created to assist the Board in developing CUHIP benefits and will work with outside consultants on benefit plans.

The Committees and their membership at December 31, 1996 are as follows:

#### Grievance Committee

Tom Hazy, M.D., Chairman  
Cindy Castellano, Vice Chairman

Tom Long

Legal Advisory Committee

Chris Chandler, Chairman  
Cindy Castellano  
Barb Crawford  
Jack Ehnes

Benefits Advisory Committee

Liz Leif, Chairperson  
Fred Abrams, M.D.  
Herb Kaplan, M.D.  
Patti Casler, R.N.  
Jean Kaye  
Christine Pon

Service and Management Agreement

Effective November 1, 1995, CUHIP entered into an administrative carrier agreement with Acordia Healthcare Solutions, Inc., hereinafter referred to as "Acordia," to provide administrative services to CUHIP. The administrative carrier agreement stipulates that Acordia shall provide administrative functions for CUHIP including but not limited to: the determination of the eligibility of persons applying for coverage; collection of premiums from individuals covered by CUHIP, subcontracting with a network administrator suitable to CUHIP, processing and paying claims on behalf of CUHIP and maintaining records and providing regular reports to CUHIP as provided in the contract. The Board of Directors exercises ultimate control over the operation of CUHIP at all times.

The agreement shall continue for a term of three years and shall be terminated upon default of either party in the performance of its obligations. The agreement will automatically terminate upon the repeal of the CUHIP Act.

In accordance with the agreement, CUHIP pays Acordia a monthly fee for services rendered based upon the number of months of premium paid by insureds. All records generated in the performance of the agreement are the property of CUHIP. Additionally, CUHIP has the authority to examine any applicable records until three years after the agreement has terminated.

A review of transaction data related to this agreement revealed that services were rendered and fees paid in accordance with the agreement.

CUHIP has also entered into an employment agreement on July 1, 1992 with its Executive Director. The agreement is for a period of one year and will automatically be renewed for a 12-month period in each subsequent year unless otherwise terminated. Pursuant to the terms of the agreement, the Executive Director will be compensated an agreed upon amount annually and may participate in employee benefits.

CUHIP may terminate the agreement immediately if certain events occur as specified in the agreement. The Executive Director may resign, for any reason, provided a 60-day written notice of termination is given.

A review of transaction data related to this agreement revealed that services were rendered and fees paid in accordance with the agreement.



## **CORPORATE RECORDS**

As required pursuant to Section 10-8-507, C.R.S., a Plan of Operation was developed to describe how CUHIP would be operated. The Plan of Operation was originally approved by the Commissioner of Insurance in January 1991. It was amended once during the examination period to provide for several organizational changes. These changes were administrative in nature primarily to incorporate changes to the laws. In general, CUHIP's operations are governed by this Plan and the provisions of Section 10-8-501 et seq., C.R.S.

CUHIP's Plan of Operation and the minutes of the meetings of the Board of Directors were reviewed in detail for the period under examination.

The minutes of the various meetings indicate that all meetings were generally well attended and held in accordance with the provisions of the Plan of Operation.

It is noted that CUHIP does not have a fidelity bond. It is the named insured on policies that provide general business liability coverage and workers compensation insurance. Coverage is provided by companies licensed to transact business in the State of Colorado.

## **EMPLOYEES' AND AGENTS' WELFARE AND PENSION PLANS**

CUHIP offers a variety of employee benefits to its employees. The Board reserves the right to modify or terminate the plans if it deems necessary. During the examination period, CUHIP had only two employees who were covered under these plans.

These plans provide that employees may select health and dental insurance at a predetermined cost. CUHIP also provides \$12,000 term life insurance to its employees at no cost.

## **TERRITORY AND PLAN OF OPERATION**

### Territory

Pursuant to Section 10-8-502, C.R.S., CUHIP provides insurance for Colorado residents only.

### Plan of Operation

CUHIP offers comprehensive individual major medical insurance and a benefit plan similar to other commercially available health insurance plans. CUHIP's basic health care package incorporates a managed care philosophy that provides the most appropriate care and extends benefits to as many participants as possible. Although Section 10-8-512 allows premiums to be set as high as 175 % of the standard rates charged by the largest five insurers in the state which sell coverage similar to CUHIP, they are currently set at 130% in order to keep premiums as affordable as possible. It is noted that pursuant to Senate Bill 97-041, effective 7/1/97, which amended Section 10-8-512(3), the maximum rate which CUHIP may charge has been decreased to 150% of the standard rate.

In accordance with Section 10-8-509, C.R.S., CUHIP contracted with Acordia Healthcare Solutions to administer this program to eligible persons. An eligible person is defined as a person who is a resident of Colorado for at least six months, who is able to provide evidence satisfactory to CUHIP and one of the following conditions has been met:

1. The person must have applied to an insurer for health insurance and:
  - a) The application has been rejected or refused because of the health or medical condition of the applicant;  
or
  - b) The application has been accepted, but at a premium rate exceeding the rate available through CUHIP; or
  - c) The application has been accepted with a reduction or exclusion of coverage for a preexisting medical or health condition for a period exceeding six months.
2. The person has had health insurance coverage involuntarily terminated by an Insurer in Colorado for any reason other than non-payment of premium.

Participants of CUHIP may choose any physician, hospital or other medical care provider for covered services. Participants may save money by choosing providers from the Sloans Lake Managed Care network. Sloans Lake is a preferred provider organization in Colorado, with over 5,400 providers and over 70 hospitals and other facilities throughout the state. Participants have a choice of three plans with three different deductibles: \$300, \$750 and \$2,000 per calendar year. Individual Certificates are given to each participant which explain the program and the benefits offered.

CUHIP has contracted with Leif Associates for the period beginning July 2, 1996 ending June 30, 1999. Pursuant to the agreement, Leif Associates agrees to provide various actuarial and consulting services to CUHIP. In exchange for these services, CUHIP agrees to compensate Leif Associates scheduled fixed fees over the life of the contract. The agreement may be terminated by either party by giving 60 days notice by certified mail. A review of transaction data related to this agreement revealed that services were rendered and fees paid in accordance with the agreement.

Effective August 12, 1996, CUHIP contracted with Deborah Herbertson for the provision of medical case management services for participants in CUHIP. This contract will continue for 12 month periods unless otherwise terminated. The contract may be terminated by either party by giving 45 days written notice to the other party. In agreement for the services, CUHIP shall pay the contractor a fixed rate per hour.

CUHIP also contracts with John Butterworth for the provision of computer related services. This contract was effective April 5, 1995 and extends for 12 month periods until canceled. The contract may be terminated by either party by giving 30 days written notice to the other party. In agreement for the services, CUHIP shall pay the contractor a fixed rate per hour.

CUHIP has contracted with the Department of Regulatory Agencies (DORA) to provide for the distribution of appropriated funds. In accordance with the contract, DORA is to distribute appropriated funds to CUHIP when CUHIP submits monthly billing statements to DORA. DORA reviews these billing statements prior to distribution of funds. Annually, CUHIP submits a budget to DORA to be submitted to the Joint Budget Committee (JBC) for approval. This budget is an actuarial estimate of funds needed for the next fiscal year.

CUHIP has established a Disaster Plan that the Board of Directors intends to implement if insolvency is inevitable or CUHIP is unable to access future subsidy income. Pursuant to the Disaster Plan, the Board reviews the reserve amount available per participant on a regular basis. If the reserve amount per individual falls below an acceptable level, as determined by actuarial methods, the Board will follow these steps: raise the premium to 175% of the standard risk rate; close the program to new enrollees as soon as possible; reduce benefits to allow payout over a longer period of time and terminate all policies when funds are depleted.

### **MARKET CONDUCT ACTIVITIES**

The market conduct activities of CUHIP are summarized as follows:

Rates

Pursuant to Section 10-8-512, C.R.S. (2) and (3), the standard risk rate is calculated using the average rate for health insurance charged by the five largest insurers in the state who offer health insurance coverage comparable to the coverage offered by CUHIP. In addition, as of December 31, 1996, CUHIP's premium rates charged to insureds shall not exceed 175% of the standard risk rate. Rates are currently set at 130% in order to keep premiums as affordable as possible.

In accordance with Section 10-8-511, C.R.S., the Commissioner of Insurance is to determine the amount of the net premium based on certain figures for the preceding calendar year. CUHIP files annual audited financial statements that are used for the establishment of rates.

Treatment of Insureds

A sample of claims was examined by an independent public accounting firm to determine service and treatment provided insureds by the Administrator (Acordia). No problems were noted during the review.

A register of complaints is maintained by CUHIP to track the receipt and disposition of complaints. A review of the complaint register revealed that all complaints were handled on a timely basis and were resolved either by explanation or through corrective action.

Advertising and Sales Materials

Printed materials and radio media are used by CUHIP to advertise the Plan. In addition, CUHIP publishes an annual report for interested parties.

**GROWTH**

The financial growth of CUHIP since its inception is summarized in the following schedule:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Insureds</u>
1991	\$ 3,230,529	\$ 419,087	\$ 2,811,442	1,033
1992	6,862,390	1,170,107	5,692,283	1,767
1993	12,320,366	1,526,740	10,793,626	2,046
1994	14,115,288	1,736,405	12,378,883	1,921
1995	15,220,756	3,133,404	12,087,352	1,572
1996	16,281,856	1,350,920	14,930,936	1,227 **

\*\* It is believed that the enrollment for 1995 and 1996 are less than the previous years because of the passage of small business health insurance reform (HB94 – 1210 effective January 1, 1995) which guarantees access to health insurance for employer groups of one to 50 employees. CUHIP's enrollment may decrease further as health insurance reform continues at the state and national levels. Decreasing enrollment could strain the surplus of CUHIP by decreasing premiums and increasing claim costs as a result of the high risk character of the remaining pool.

**ACCOUNTS AND RECORDS**

CUHIP's accounting records are maintained manually on an accrual basis. CUHIP's accounting records, general ledger, cash receipt and disbursement journals are maintained by an outside accountant which has been retained to compile monthly financial information from records provided by the administrator (Acordia) and the actuary.

For the years 1994 to 1996, a trial balance was extracted from the general ledger and reconciled to the audited financial statement filed with the Division of Insurance.

CUHIP is audited annually by a certified public accounting firm. Work papers were made available to the examiners and where appropriate, were utilized to support the amounts reported in the annual statement.

In 1996 CUHIP received an actuarial statement of opinion regarding the reserves. This opinion was not in the format established by the National Association of Insurance Commissioners. However, no statutory requirement exists for the filing of a standard opinion with the Division of Insurance.

**FINANCIAL STATEMENTS**

The following pages present a Statement of Assets, Liabilities and Surplus at December 31, 1996, as determined by this examination. This statement along with supporting statements and reconciliation's are presented in the following order:

Statement of Assets, Liabilities and Surplus, December 31, 1996.

Statement of Operations, Year 1996

Reconciliation of Surplus, December 31, 1993 through  
December 31, 1996

Analysis of Examination Changes, December, 31 1996

Comparative Financial Statements, December 31, 1993 and December 31, 1996

**STATEMENT OF ASSETS, LIABILITIES AND SURPLUS**

**DECEMBER 31, 1996**

**ASSETS**

	<b><u>Ledger Amount</u></b>	<b><u>Amount Not Admitted</u></b>	<b><u>Net Admitted Amount</u></b>
Cash and cash equivalents	\$3,251,996	\$0	\$3,251,996
Accrued interest receivable	3,146	0	3,146
Restricted cash held by the State Treasurer (Note 1)	13,026,714	0	13,026,714
 Total Assets	 <u>\$16,281,856</u>	 <u>\$0</u>	 <u>\$16,281,856</u>

**LIABILITIES AND SURPLUS**

Reserve for health policy claims	\$1,121,763
Advance premiums	185,745
Accrued expenses	43,412
 Total Liabilities	 <u>\$1,350,920</u>
 Surplus	 <u>\$14,930,936</u>
 Total Liabilities and Surplus	 <u>\$16,281,856</u>

STATEMENT OF OPERATIONS

YEAR 1996

**REVENUE**

Premiums Earned	\$4,018,423	
State of Colorado (See Funding")	<u>3,503,400</u>	
Total Revenue		\$7,521,823
Deductions:		
Health policy benefits	\$4,583,275	
General insurance expenses	<u>763,413</u>	
Total Deductions		<u>\$5,346,688</u>
Income from operations		<u>\$2,175,135</u>

**INVESTMENT INCOME**

State of Colorado (Net of Expenses of \$95,178 in 1996)	\$539,334	
Other	<u>128,846</u>	
Total Investment Income		<u>\$668,180</u>
NET INCOME		<u><u>\$2,843,315</u></u>

SURPLUS

Surplus at December 31, Previous Year		<u>\$12,087,352</u>
Gains and (Losses) in Surplus		
Net Income	\$2,843,315	
Change in Non-Admitted Assets	269	
Surplus at December 31, Current Year		<u><u>\$14,930,936</u></u>

**RECONCILIATIONN OF SURPLUS**

**December 31, 1993 Through December 31, 1996**

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Surplus				
December 31, Previous Year	<u>\$5,692,288</u>	<u>\$10,793,626</u>	<u>\$12,378,883</u>	<u>\$12,,087,352</u>
Gains and (Losses) in Surplus				
Net Income or (Loss)	\$5,099,633	\$1,586,440	\$(293,680)	\$2,843,315
Change in Non-Admitted Assets	1,705	(1,183)	2,149	269
Surplus				
December 31, Current Year	<u><u>\$10,793,626</u></u>	<u><u>\$12,378,883</u></u>	<u><u>\$12,087,352</u></u>	\$14,930,936

Note: The above amounts were derived from copes of filed financial statements with the exception of 1993 and 1996 which were determined per examination.

Analysis of Examination Changes, December 31, 1996.

ANALYSIS OF EXAMINATION CHANGES

DECEMBER 31, 1996

<u>Per</u> <u>Company</u>	<u>Per</u> <u>Examination</u>	<u>Surplus</u> <u>Increase</u> <u>(Decrease)</u>
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There are no examination changes as a result of this examination.



Comparative Financial Statements, December 31, 1993 and December 31, 1996.

**COMPARATIVE FINANCIAL STATEMENTS**

**December 31, 1993 and December 31, 1996**

	December 31, 1993 *	December 31, 1996 *
<b>ASSETS</b>		
Cash and cash equivalents	\$2,712,440	\$3,251,996
Receivable from administrator	354,240	0
Accrued interest receivable	2,610	3,146
Restricted cash held by the State Treasurer	9,251,076	13,026,714
	<hr/>	<hr/>
Total Assets	<u>\$12,320,366</u>	<u>\$16,281,856</u>
<b>LIABILITIES AND SURPLUS</b>		
Reserve for health policy claims	\$1,384,120	\$1,121,763
Advance premiums	134,972	185,745
Accrued expenses	7,648	43,412
	<hr/>	<hr/>
Total Liabilities	\$1,526,740	\$1,350,920
Surplus	<u>\$10,793,626</u>	<u>\$14,930,936</u>
	<hr/>	<hr/>
Total Liabilities and Surplus	<u>\$12,320,366</u>	<u>\$16,281,856</u>

\* Per examination

**NOTES TO FINANCIAL STATEMENTS**

Note 1 – Restricted cash held by the State Treasurer

Funds of \$13,026,714 represent the unappropriated amounts of funds allocated to CUHIP by the General Assembly of the State of Colorado as of December 31, 1996. These funds are held by the State Treasurer and are invested by the State, with related interest income being allocated, net of investment fees, to the CUHIP cash fund. As the moneys in this restricted fund are subject to annual appropriation by the Colorado General Assembly, a question arose during 1996 as to whether these funds should be reported as an admitted asset for statutory accounting purposes. Because the financial statements prepared and submitted annually to the Division of Insurance are to facilitate its ability to monitor the financial status of CUHIP and for several other reasons, approval was granted by the Division for these funds to continue to be reported as an admitted asset.

**SUMMARY**

The results of this examination disclosed that at December 31, 1996, CUHIP had admitted assets of \$16,281,856, liabilities of \$1,350,920, and surplus of \$14,930,936. Surplus was not changed as a result of this examination.

**RECOMMENDATIONS**

There are no recommendations made as a result of this examination.

CONCLUSION

The courtesy, assistance and cooperation extended by the officers and employees of CUHIP during the course of this examination is hereby acknowledged.

In addition to the undersigned, David Rudine, Actuary for the Colorado Division of Insurance, participated during the examination.

Respectfully submitted,

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Scott W. Lloyd  
Insurance Examiner  
Division of Insurance  
State of Colorado